

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-09 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

AGR-05 FEA-01 XMB-02 DODE-00 PM-03 H-01 L-02 NSC-05

PA-01 PRS-01 SS-15 USIA-06 TAR-01 FTC-01 INT-05 AF-06

ARA-06 OIC-02 /137 W

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P R 072032Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 5343

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

USMISSION EC BRUSSELS

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E.O. 11652: GDS

TAGS: ETRD, OECD

SUBJECT: OECD TRADE PLEDGE AND AUSTRALIAN RESTRICTIONS  
ON AUTO IMPORTS; MISSION PROPOSAL FOR ENHANCED OECD  
TRADE COOPERATION ON SECTORAL PROBLEMS

1. SUMMARY. VAN LENNEP IS CONCERNED THAT AUSTRALIAN  
AUTO QUOTAS REPRESENT A MAJOR VIOLATION OF TRADE PLEDGE.  
HE HAS ASKED WHETHER WE AND OTHER MAJOR COUNTRIES WOULD  
SUPPORT HIS INVOKING TRADE PLEDGE IN OECD COUNCIL SO AS  
TO HEAD OFF SIMILAR SECTORAL BEGGAR-MY-NEIGHBOR ACTIONS  
WHICH MIGHT BE TAKEN TO DEAL WITH UNEMPLOYMENT. MISSION  
CONSIDERS THAT ON VARIOUS GROUNDS IT MAY NOT BE WISE TO  
INVOKE TRADE PLEDGE BUT RECOMMENDS INSTEAD THAT UNDER  
SECRETARY ROBINSON COME PREPARED TO DISCUSS POSSIBILI-  
TIES FOR ENHANCED TRADE COOPERATION ON SPECIFIC SECTORS  
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AT FORTHCOMING XCSS RESTRICTED BUREAU MEETING UNDER

AGENDA ITEM OF TRADE PLEDGE RENEWAL.

2. OECD SEC GEN VAN LENNEP CALLED IN AMBASSADOR AND DCM TO EXPRESS HIS CONCERN ABOUT RECENT AUSTRALIAN ACTION TO RESTRICT IMPORTS OF MOTOR VEHICLES. HE FEELS THIS IS THE FIRST MAJOR VIOLATION OF THE TRADE PLEDGE AND THAT IF IT IS IGNORED THE PLEDGE WILL BE SERIOUSLY WEAKENED AND OTHER COUNTRIES WILL BE TEMPTED TO FOLLOW SUIT. HE INDICATED HE WAS AWARE OF THE ARGUMENT THAT THIS WAS A SECTORAL ACTION OUTSIDE THE SCOPE OF THE PLEDGE AND UNDER GATT ARTICLE XIX BUT HE CONSIDERED THIS WAS JUST A TECHNICAL COVER FOR THE AUSTRALIAN MEASURE, WHICH WAS ACTUALLY DESIGNED TO COPE WITH A MACRO-ECONOMIC UNEMPLOYMENT PROBLEM. AS DISCUSSED AT MOST RECENT ECONOMIC POLICY COMMITTEE PRESENT GENERALIZED WORLD ECONOMIC SLOWDOWN HIT SOME SECTORS MORE THAN OTHERS WITH AUTOMOBILE INDUSTRY PARTICULARLY HARD HIT. IF AUSTRALIA AUSTRALIANS ARE ALLOWED TO RESORT TO ARTICLE XIX ACTION TO COUNTER UNEMPLOYMENT OTHER COUNTRIES MAY WELL FOLLOW. HE SAID HIS INCLINATION WAS TO COME DOWN HARD ON THE AUSTRALIAN ACTION IN THE COUNCIL, BUT HE WOULD ONLY DO SO IF SUPPORTED FORCEFULLY BY MAJOR MEMBERS. HE THOUGHT SUBJECT COULD ALSO BE RAISED IN XCSS. HE WAS THEREFORE CONSULTING WITH KEY COUNTRIES AND WANTED US VIEWS.

3. MISSION COMMENT. ADMITTING THE VALIDITY OF VAN LENNEP'S CONCERNS, WE FEEL FOR NUMBER OF REASONS IT MAY BE INADVISABLE TO DRAG AUSTRALIANS THROUGH TRADE PLEDGE "COURT" OVER AUTOMOBILE ACTION, PARTICULARLY AT TIME WHEN WE WANT TO ENSURE RENEWAL OF PLEDGE. TRADE PLEDGE IS GENERALLY CONSIDERED NOT TO APPLY TO SECTORAL ACTIONS, AND AUSTRALIANS, WHATEVER THEIR OVERALL SITUATION AND MOTIVATION, WOULD OBVIOUSLY INSIST THEIR ACTION FALLS UNDER ESCAPE CLAUSE CRITERIA (CANBERRA 0729). TRYING TO ESTABLISH "JURISPRUDENCE" THAT TRADE PLEDGE COVERS SUCH ACTIONS ON GROUND THAT THEY ARE REALLY BEGGAR-THY-NEIGHBOR ACTIONS STEMMING FROM MACRO-ECONOMIC CONDITIONS, COULD WELL COMPLICATE OUR DESIRE TO SEE IT RENEWED. IN ADDITION, AUSTRALIAN AUSTRALIANS WOULD ARGUE LIMITED OFFICIAL USE

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THAT OECD FAILURE TO GRAPPLE WITH EC AND JAPANESE MEAT RESTRICTIONS, WHICH ARE OF GREAT IMPORTANCE TO AUSTRALIA, IN SIMILARLY TOUGH MANNER CONTRIBUTED TO NEED FOR AND PARTIALLY JUSTIFIES AUSTRALIAN ACTIONS ON AUTOS. THIS COULD LEAD TO STERILE ARGUMENT OVER WHY MEAT RESTRICTIONS LESS IN VIOLATION OF TRADE PLEDGE THAN AUTO ACTION. FINAL CONSIDERATION FROM US POINT OF VIEW IS EXTENT TO WHICH WE MAY FIND OURSELVES CONSTRAINED IN FUTURE TO TAKE SECTORAL ESCAPE CLAUSE ACTIONS, AND RELATIONSHIP OF NON-LEGAL OBLIGATIONS UNDER TRADE PLEDGE TO REQUIREMENTS OF TRA SHOULD BE CAREFULLY CONSIDERED. FOR THESE REASONS, WE BELIEVE IT MAY NOT BE IN OUR INTERESTS TO INVOKE TRADE PLEDGE IN CASE OF AUSTRALIA.

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4. SECGEN'S CONCERN OVER POSSIBLE ADVERSE EFFECT ON TRADING SYSTEM OF WIDESPREAD SECTORAL ACTIONS IS, HOWEVER, FULLY JUSTIFIED IN OUR OPINION. SITUATION IN MEAT AND POULTRY SECTOR HAS BEEN HIGHLY UNSATISFACTORY FOR LAST YEAR, AND ALL EVIDENCE POINTS TO WORLD-WIDE DISTRESS IN AUTOMOTIVE SECTOR. WE BELIEVE AUTO IMPORTERS WILL COME UNDER INCREASING PRESSURE TO IMPOSE IMPORT RESTRICTIONS, WHILE EXPORTERS MAY TURN TO SUBSIDIES AND DUMPING. LOOKING FURTHER DOWN THE ROAD, STEEL COULD BE ANOTHER SECTOR WHERE SIMILAR SCENARIO WOULD BE PLAYED OUT. AT SAME TIME USG ITSELF WOULD APPEAR, AS RESULT OF TRADE ACT, TO BE FACED WITH POSSIBLE INCREASED PRESSURES TO TAKE ESCAPE CLAUSE OR COUNTERVAILING DUTY ACTIONS WHICH, IF TAKEN UNILATERALLY, COULD HAVE SERIOUS ADVERSE EFFECTS ON FOREIGN RELATIONS. WE THEREFORE SEE NUMBER OF GOOD ARGUMENTS FOR SEEKING A STRONGER FRAMEWORK FOR TRADE COOPERATION ON A SECTORAL BASIS, TO AVOID RESTRICTIONS WHERE POSSIBLE AND TO SEEK MULTILATERAL COOPERATIVE SOLUTIONS, PREFERABLE OF A NON-RESTRICTIVE NATURE, WHERE SOME ACTION IS UNAVOIDABLE. WE SUGGEST THIS WOULD BE A HIGHLY DESIREABLE COMPLEMENT TO EXISTING TRADE PLEDGE AND THAT WE RESPOND TO VAN LENNEP'S CONCERN BY ADVOCATING SUCH AN APPROACH.

5. OECD, WITH CONSIDERABLE HISTORY OF WORKING ON SECTORAL BASIS AND NUMBER OF WORKING PARTIES ALREADY ESTABLISHED, WOULD APPEAR TO BE PARTICULARLY APPROPRIATE FORUM FOR MULTILATERAL CONSULTATIONS ON SECTORAL TRADE PROBLEMS. US REP (MALMGREN) SUGGESTED AT LAST XCSS THAT EXECUTIVE COMMITTEE MIGHT WISH IN FUTURE TO EXPLORE HOW SECTORAL ECONOMIC MEASURES COULD BEST BE COVERED BY TRADE PLEDGE. CHAIRMAN OF TRADE COMMITTEE HERMES (FRG) HAS ALSO PICKED UP THIS IDEA AND PROPOSES TO DEVOTE PART OF MARCH 4-5 TRADE COMMITTEE MEETING TO DISCUSSING POSSIBILITIES FOR GREATER SECTORAL COOPERATION TO AVOID IMPORT RESTRICTIONS. WHAT CONTENT OF SUCH COOPERATION SHOULD BE IS OBVIOUSLY A DIFFICULT QUESTION. IT SEEMS TO US THAT ESSENTIAL ELEMENTS WOULD BE SOME KIND OF PLEDGE TO ABSTAIN FROM UNILATERAL ESCAPE CLAUSE ACTIONS IN AT LEAST CERTAIN KEY SECTORS (E.G. MEAT, LIMITED OFFICIAL USE

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GRAIN, AUTOS, STEEL, TEXTILES?), PERHAPS AN EARLY WARNING SYSTEM TO IDENTIFY PROBLEM SECTORS, FOLLOWED BY A PROCESS OF MULTILATERAL SECTORAL CONSULTATIONS, SEEKING INTERNATIONAL UNDERSTANDING ON ADJUSTMENT PROBLEMS.

6. UPCOMING FEB. 20 MEETING OF XCSS BUREAU WHERE TRADE PLEDGE RENEWAL IS TO COME UP WOULD APPEAR TO BE IDEAL

OCCASION TO SEEK INITIAL DISCUSSION OF THE PROBLEM AND  
INFORMAL REACTIONS TO SUCH A CONCEPT OF AMPLIFYING OR  
SHORING UP TRADE PLEDGE TO DEAL WITH THREAT OF WIDE-  
SPREAD SECTORAL RESTRICTIONS. WE RECOMMEND US REP BE  
PREPARED TO MAKE A PRESENTATION ON THIS PROBLEM AT  
THAT MEETING.

7. AFTER ABOVE WAS DRAFTED VAN LENNEP TOLD US HIS  
THINKING NOW IS DIRECTED MORE TOWARDS RECOMMENDING SOME  
SORT OF PROCEDURE ON AUTOMOBILES AND POSSIBLY OTHER  
SECTORS AT THE FEB 20 MEETING.  
TURNER

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## Message Attributes

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